



Meeting of East Renfrewshire Health and Social Care Partnership	Integration Joint Board
Held on	28 November 2018
Agenda Item	12
Title	Revenue Budget 2019/20 Update
<p>Summary</p> <p>To provide the Integration Joint Board with an update on the 2019/20 Revenue Budget potential funding gap.</p>	
Presented by	Lesley Bairden, Head of Finance and Resources (Chief Financial Officer)
<p>Action Required</p> <p>The Integration Joint Board is asked to note the 2019/20 revenue budget update.</p>	
<p>Implications checklist – check box if applicable and include detail in report</p> <p> <input checked="" type="checkbox"/> Financial <input type="checkbox"/> Policy <input type="checkbox"/> Legal <input type="checkbox"/> Equalities <input checked="" type="checkbox"/> Risk <input type="checkbox"/> Staffing <input type="checkbox"/> Property/Capital <input type="checkbox"/> IT </p>	

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EAST RENFREWSHIRE INTEGRATION JOINT BOARD

28 November 2018

Report by Chief Financial Officer

REVENUE BUDGET 2019/20 UPDATE REPORT

PURPOSE OF REPORT

1. To advise the Integration Joint Board of the latest position for the 2019/20 revenue budget.

RECOMMENDATIONS

2. The Integration Joint Board is asked to note the 2019/20 budget update.

BACKGROUND

3. This report is a continuation of regular budget reports to the Integration Joint Board. This report will provide a brief update on the latest information relating to the 2019/20 revenue budget and potential funding gap.

REPORT

4. The IJB are aware that our strategic commissioning plan for the period 2018-2021 sets out the potential financial challenge to the IJB for financial years 2019/20 and 2020/21 and how we plan to address that gap.
5. To recap, we said that over the next two years (2019/20 and 2020/21) we potentially face a very challenging budget settlement. East Renfrewshire Council's budget set on 2nd March 2018 included indicative contributions for the IJB for 2019/20 of £46.833 million and 2020/21 of £45.496 million so allowing for assumptions for funding pay, inflation and demographic pressures there will still be a significant savings challenge. Our assumption for our NHS funding is in line with 2018/19, with an assumed 1.5% uplift that will partially offset cost pressures.

Potential Savings Requirement	2019/20 £'m	2020/21 £'m	Cumulative £'m
NHS Greater Glasgow and Clyde	(0.7)	(0.8)	(1.5)
East Renfrewshire Council	(3.4)	(3.4)	(6.8)
Total Possible Savings	(4.1)	(4.2)	(8.3)

6. We have consulted on the commissioning intentions to help to close this funding gap at two recent events and will share the consultation outcomes at the next IJB seminar planned for early December.
7. Since the detail above was first reported in June, the relevant 2019/20 updates are set out below.

8. The UK Government budget announcement was made on 29th October 2018 which included additional funding for the NHS and for councils for care for the elderly and those with disabilities. The impact for Scotland is yet to be determined.
9. The Scottish Government budget settlement is expected to be announced on 12th December 2018.
10. In October the Scottish Government issued its Medium Term Health and Social Care Financial Framework, included at Appendix 1. The key messages are set out below.
11. The framework uses 2016/17 as the baseline and covers the period to 2023/24 based on Barnett resource consequential and shows that if nothing changed a funding gap of £5.9 billion would exist if we continue as is.
12. The drivers for growth are recognised as price including pay and inflation, activity demand and growth and demographic impacts. The combined impact on each partner area is estimated at an annual growth rate of:
 - Health services 3.5%
 - Social care 4% which is slightly higher recognising the impact that the very elderly have on demographic pressures
13. The framework sets out a number of approaches and initiatives to address this challenge through investment, reform and efficiency. These include shifting the balance of care, regional working, public health and protection, once for Scotland and a continued efficiency agenda.
14. When all assumptions are taken into account the residual challenge for the period is estimated at £159 million (taken from Figure 8 on page 16). The residual challenge is clearly dependant on delivery of the initiatives as above.
15. The framework will be revised to reflect progress and future iterations will include assessment of local and regional delivery plans.

CONSULTATION AND PARTNERSHIP WORKING

16. The Chief Financial Officer has consulted with our partners.
17. The latest NHS financial planning scenarios are broadly in line with the assumptions above and prescribing costs remain a significant pressure.
18. The budget setting process for ERC is underway and we have been involved in the budget strategy process allowing us to identify cost and demographic pressures.
19. We recognise the scale of challenge to our partners, including the budget contribution to the IJB and the existing assumptions remain unchanged at this point.
20. For the ERC contribution the IJB should be aware that the pay offer for the current year is not yet settled but the current position is higher than was budgeted for, with a likely similar impact on 2019/20. This means it is likely that the existing savings target will increase to fund the associated cost.

FINANCE AND EFFICIENCY

21. Our planning assumptions remain unchanged at this stage and are as stated above.
22. The detail and associated impact on the IJB budget for 2019/20 will be clearer on announcement of the Scottish budget. At that stage the IJB will receive detailed reports as normal. The 2019/20 budget will be the baseline for our medium term financial strategy thereafter.

IMPLICATIONS OF THE PROPOSALS

Risk

23. The risk to the IJB is delivering a sustainable budget in 2019/20 and beyond.

Staffing

24. There are no specific staffing implications for this update, however a workforce plan will be developed to support the medium term financial strategy for the IJB

Equalities

25. None at present. All equalities issues will be addressed through future budget decisions.

Directions

26. The directions to our partners will be issued upon agreement of the 2019/20 budget.

Policy

27. None

Legal

28. None

Property/capital

29. None

CONCLUSIONS

30. The assumptions on the funding gap, as set out in our Strategic Commissioning Plan, remain unchanged at present. This will evolve as the implications from the Scottish Government budget settlement for 2019/20 are announced.

RECOMMENDATIONS

31. The Integration Joint Board is asked to note the 2019/20 revenue budget update.

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28 November 2018

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BACKGROUND PAPERS

IJB PAPER 27.06.2018: Budget Update 2018/19

<http://www.eastrenfrewshire.gov.uk/CHttpHandler.ashx?id=22620&p=0>



Scottish Government
Riaghaltas na h-Alba
gov.scot

Scottish Government Medium Term Health and Social Care Financial Framework

October 2018

Scottish Government Medium Term Health and Social Care Financial Framework

October 2018

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Introduction

Our NHS celebrated its 70th Birthday this year and it is clear that our most cherished of public services has had to evolve, changing to reflect advances in medicine and the changing needs of our people. Our NHS, and the wider health and social care system, will need to continue to adapt, recognising changing demands and that people are living longer, thanks in no small part to the NHS and the care and treatment it has provided.

Our staff do an outstanding job, day in and day out. The vast majority of people get a fantastic and timely service, demonstrated in high satisfaction levels. For example - 90% of Scottish inpatients say NHS hospital care and treatment was good or excellent.

Planning for the future of our health and social care services requires a clear financial context which outlines the challenges facing the system, but at the same time looks at our approach to addressing these pressures - through a combination of investment and reform.

This Financial Framework aims to consider the whole health and social care system and how this supports the triple aim of better care, better health and better value. It outlines that investment, while necessary, must be matched with reform to drive further improvements in our services - considering the health and social care landscape at a strategic level. It has been developed with input from NHS Boards, COSLA, Local Government and Integration Authorities.

Context

This framework and supporting data will be updated as reform plans evolve, allowing local systems to develop plans within an overall set of financial parameters and alongside workforce and service considerations. Throughout this document, 2016/17 is used as the baseline year for data, reflecting that this is the latest year of published information from the NHS Cost Book and Local Government Local Financial Returns.¹

Determining the factors which contribute to the wider financial context we will operate within is far from simple, not least as the Scottish Government does not have all the flexibility and levers to manage and plan its finances, as much of this remains reserved to the UK Government.

Additionally, our public finances continue to face the impact of the financial constraints imposed on us by the UK Government's austerity approach - a £2.6 billion real terms reduction in the our discretionary block grant between 2010/11 and 2019/20.

1 For NHS Costs Book see: <http://www.isdscotland.org/Health-Topics/Finance/Costs/> and for Local Financial Returns see: <https://beta.gov.scot/publications/scottish-local-government-financial-statistics-2016-17/pages/9/>

Perhaps the greatest threat to our future finances is the damage caused by Brexit. The economic damage of Brexit could reduce Scotland's GDP by £12.7 billion by 2030 compared with staying in the EU² and it is impossible to ignore the risk it creates to some of the planning assumptions in this framework.

The UK Government funding announcement for NHS England in June 2018 included projections through to 2023/24³ – and indicated associated Barnett resource consequentials for the devolved administrations. The funding assumptions in this document cover the same time period and are predicated on the assumption that the funding the UK Government has promised will be delivered as a true net benefit to the Scottish Government's budget. Clearly any actions by the UK Government which did not deliver this additional funding as a net benefit would have potential consequences on funding for Scotland's public services.

It should also be noted that the funding announced by the UK Government for NHS England in June fell some way short of the resource required to address the fundamental challenges facing the health and social care services in England. It did not, for example, touch on necessary funding for social care and public health services.

Health and Social Care Delivery Plan

The *Health and Social Care Delivery Plan*⁴ set out a framework for the delivery of services, bringing together the National Clinical Strategy and our key reform programmes, such as Health and Social Care Integration. Its aim is to ensure that Scotland provides a high quality service, with a focus on prevention, early intervention and supported self-management, and if people need hospital services, they are seen on a day case basis where appropriate, or discharged as soon as possible.

Over the last ten years there has been significant investment in the health service – with the health budget having increased to a record level. Striking progress against key challenges to our nation's health and healthcare has been seen, with steady falls in mortality from the 'Big Three' – cancer, heart disease and stroke.

Bold action has been taken in Scotland in public health improvement, including major and innovative developments such as the ban on smoking in public places, raising the age for purchasing tobacco from 16 to 18 and the introduction of a minimum unit price for alcohol. Those aged 65 and over are entitled to free personal care when they need it, with extension to those under 65 who need it being delivered by April 2019, and there is free nursing care for anyone at any age who requires these services.

The Integration of Health and Social Care aims to ensure that people are supported at home to live independently for as long as possible, ensuring that people's care needs are anticipated and planned appropriately. This is focused on the key areas of reducing the inappropriate use of hospital services and shifting resource to primary and community care.

We recognise that like other health and social care systems around the world, we do face inflationary pressures, which could be exacerbated by the uncertainty that is being created by Brexit. Achieving long-term financial sustainability and making best use of resources is critical to delivering on the Delivery Plan's objectives.

The guiding principle underpinning this framework is simple – that we continue to deliver a service for our patients that is world class and that takes forward our ambition that everyone is able to live longer, healthier lives at home, or in a homely setting.

2 [Scottish Government, Scotland's Place in Europe: People, Jobs and Investment](#)

3 [UK Government, UK Government's 5-year NHS funding plan](#)

4 Scottish Government, Health and Social Care Delivery Plan, December 2016. <http://www.gov.scot/Resource/0051/00511950.pdf>

Health and Social Care Expenditure

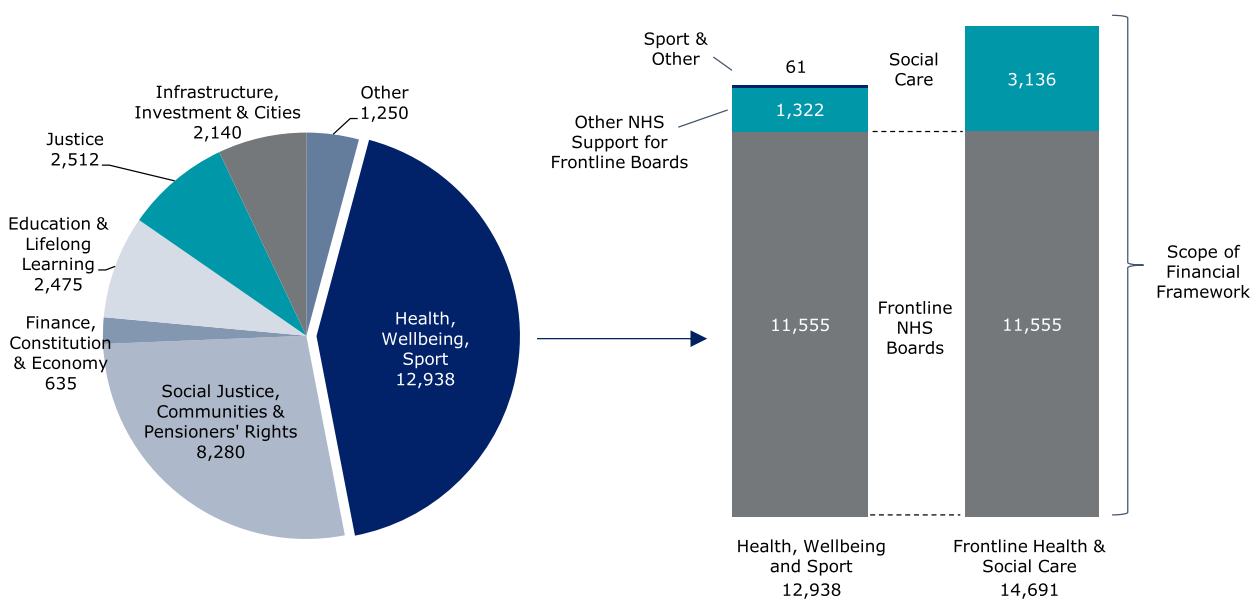
Scottish Government Expenditure

The total Scottish Government budget was £30.2 billion⁵ in 2016/17, with funding for the Health and Sport portfolio at record levels of £12.9 billion. Health expenditure is the largest component of the Scottish Government’s budget, with spending on the NHS accounting for 43% of total Government expenditure, compared to 37% in 2010/11. Given that there has been a reduction to Scotland’s fiscal budget by 8.4% in real terms between 2010/11 and 2019/20, this proportion is expected to increase in future years due to the protection to health spend, with the Scottish Government’s commitment to increase the health budget by £2 billion over the lifetime of the current parliament and passing on further Barnett resource consequentials arising from the funding settlement for the NHS in England.

The majority of health expenditure is accounted for by the 18 frontline NHS Boards (£11.6 billion), which comprise the 14 territorial NHS Boards, as well as NHS24, the Golden Jubilee Hospital, the State Hospital and the Scottish Ambulance Service. The analysis within this framework document is focused on frontline NHS Board expenditure plus Local Government net expenditure on Social Care (£3.1 billion in 2016/17). Together, this accounts for £14.7 billion in expenditure in 2016/17 on health and social care. More than £8 billion of this total is now managed by 31 Integration Authorities, which have responsibility for commissioning health and social care services for their local populations. Integration Authorities’ budgets are comprised of approximately £5 billion from frontline NHS Boards and £3 billion from Local Authorities.

It should be noted that there is health expenditure delivered through NHS National Services Scotland, Healthcare Improvement Scotland, NHS Education for Scotland and NHS Health Scotland, and also through activity administered centrally within the Scottish Government, including capital expenditure. For the purposes of this document, this expenditure is not included in our analysis.

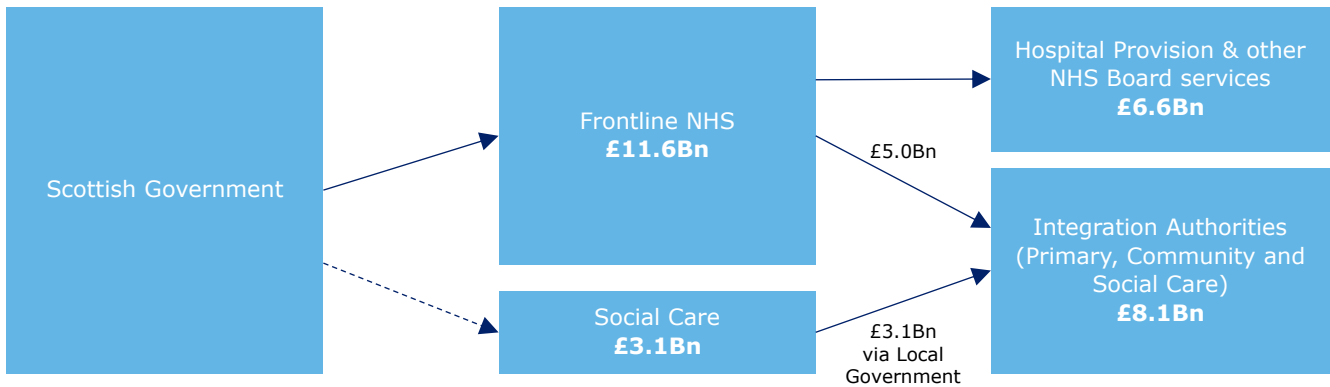
FIGURE 1. SCOTTISH GOVERNMENT REVENUE BUDGET 2016/17 (£m)



Source: Scottish Government. Draft Budget 2016-17

Figure 2 below illustrates how funding for health and social care is allocated within Scotland following the creation of Integration Authorities.

FIGURE 2. HEALTH AND SOCIAL CARE FUNDING FLOWS IN SCOTLAND

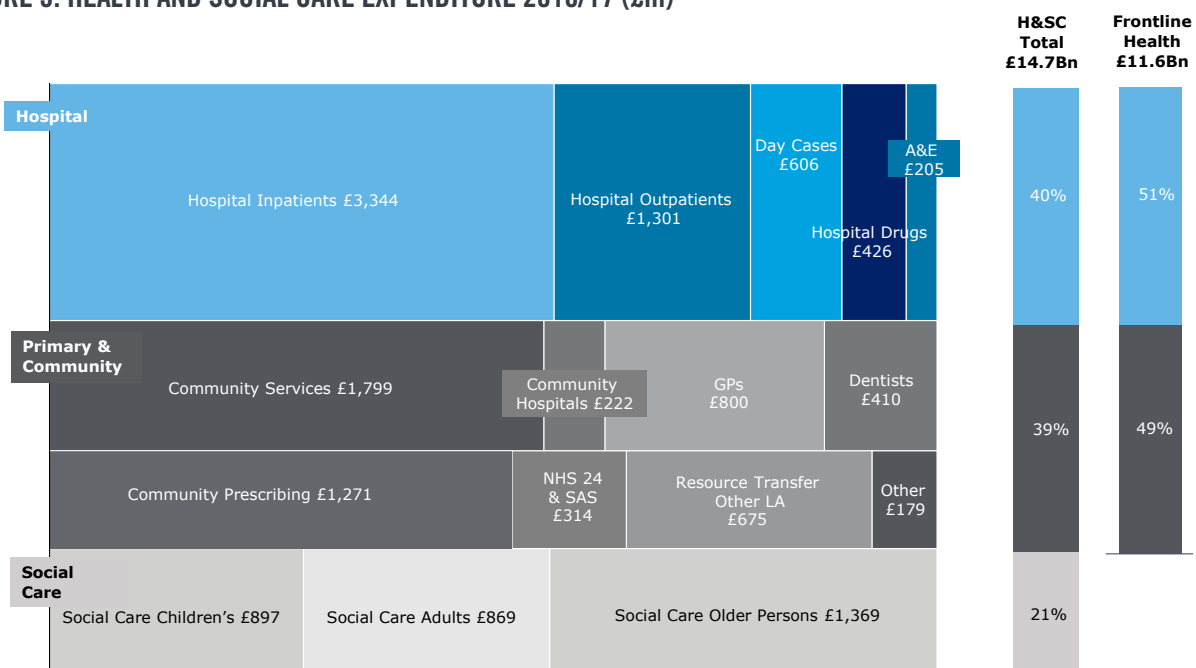


Health and Social Care Expenditure

Figure 3 provides an overview of the composition of health and social care expenditure in Scotland in 2016/17. It illustrates that the majority of NHS expenditure is concentrated on the hospital sector (51%), with the largest area of expenditure on inpatient hospital services (£3.3 billion). Areas of significant expenditure include £2 billion spent on community health services (the provision of district nurses, community hospital services and teams), £1.3 billion on the provision of hospital outpatient appointments, £1.3 billion on GP prescribed drugs and a similar amount on social care support for the elderly.

Overall, the NHS budget accounts for approximately 79% of joint health and social care expenditure. Approximately 60% of frontline health board budgets are delegated to Integration Authorities, covering at least adult primary care and most unscheduled adult hospital care. All of adult social care budgets are also included in Integration Authorities' budgets and some also have responsibility for children's services.

FIGURE 3. HEALTH AND SOCIAL CARE EXPENDITURE 2016/17 (£m)



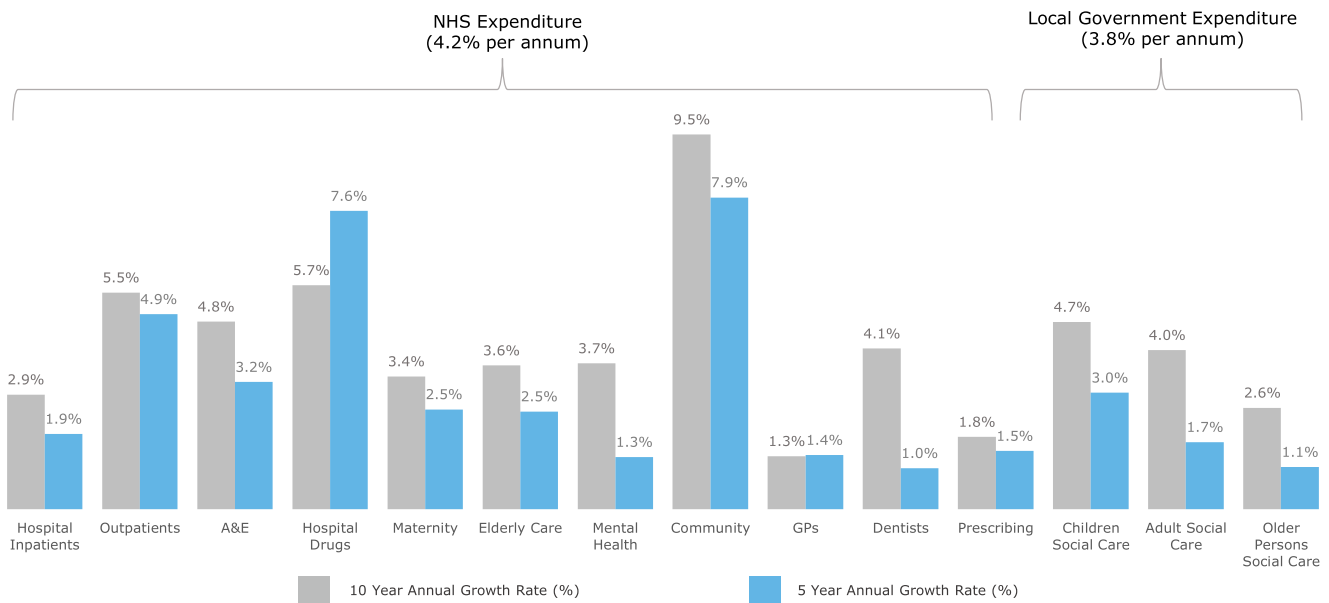
Source: ISD Scotland Cost Book 2016/17, Net Local Authority Expenditure 2016/17

Historical Expenditure Trends

One of the aims of this framework is to provide an estimate of the future resource requirements across health and social care. To provide some context, historical expenditure trends in both health and social care have been examined. NHSScotland and Local Authority expenditure data has been collected in a consistent format for over ten years, and provide some indication of long term trends.⁶

Figure 4 illustrates average annual expenditure growth rates for each major category of health and social care in Scotland from 2006/07 to 2016/17.⁷ Overall, NHS expenditure has increased by 4.2%, and social care by 3.8% year on year over the past ten years. However, this rate of growth has slowed in the last five years to 3.2% and 1.8% for the NHS and social care respectively. This largely reflects the real terms reduction in the overall Scottish Government budget as a result of decisions taken by the UK Government, and specifically for Social Care, the use of eligibility criteria to manage resources.

FIGURE 4. HEALTH AND SOCIAL CARE HISTORICAL EXPENDITURE TRENDS (2006/07 – 2016/17)



Historic trends show a significant increase in the level of community health services spend over the past ten years. Specific policy decisions to invest in community services have contributed to expenditure in this area growing on average by 9.5% year on year.⁸ Although we have seen growth in spending on community services, this does not yet represent a shift in the overall balance of care: expenditure on hospital services has also been growing significantly, with high rates of growth in outpatient (5.5%), Accident and Emergency (4.8%) and hospital drug expenditure (5.7%). Expenditure on hospital drugs has increased significantly in the last five years, growing at 7.6% year on year, as new and innovative drugs for cancer and other conditions become more widely available.

6 Recognising that historical expenditure trends cannot fully capture the impact of wage increases or future policy changes.

7 Mental health, maternity and elderly care includes elements of both hospital and community service provision.

8 Part of this growth can also be explained by increases in resources which are allocated to Integration Authorities to fund services provided by Local Authorities for services related to care of the elderly, Learning Disabilities and mental health and to facilitate discharge from hospitals. Total NHS Scotland expenditure on these resources was £689 million in 2016/17.

Expenditure on GP prescribing has shown a slower growth profile over the period, primarily due to a reduction in the price of certain drugs, as well as more generic drugs becoming available to the NHS.

Social care expenditure has also increased in all categories, however in the last five years adult social care spend has risen broadly in line with GDP.⁹

Historical Activity Growth and Trends in Productivity

Over the last few years, activity levels across the health and social care sector have generally increased, particularly in relation to hospital outpatient attendances and elderly care at home hours delivered (Box 1 below). The increase in care at home hours is largely as a result of the policy to keep people at home for longer.

BOX 1. ACTIVITY LEVELS ACROSS HEALTH AND SOCIAL CARE

2.1m (+10%) additional elderly care at home hours delivered from 21.6m in 2010/11 to 23.7m today

1.8m (+21%) additional hospital outpatient attendances from 8.5m per year to 10.3m

140,000 (+17%) additional hospital inpatient cases from 830,000 per year to 970,000

98,000 (+6%) additional A&E attendances from 1.6m per year to 1.7m

67,000 (+16%) additional hospital day cases from 420,000 per year to 490,000

No change in elderly residential care home places since 2010/11 remaining at 30,000 places

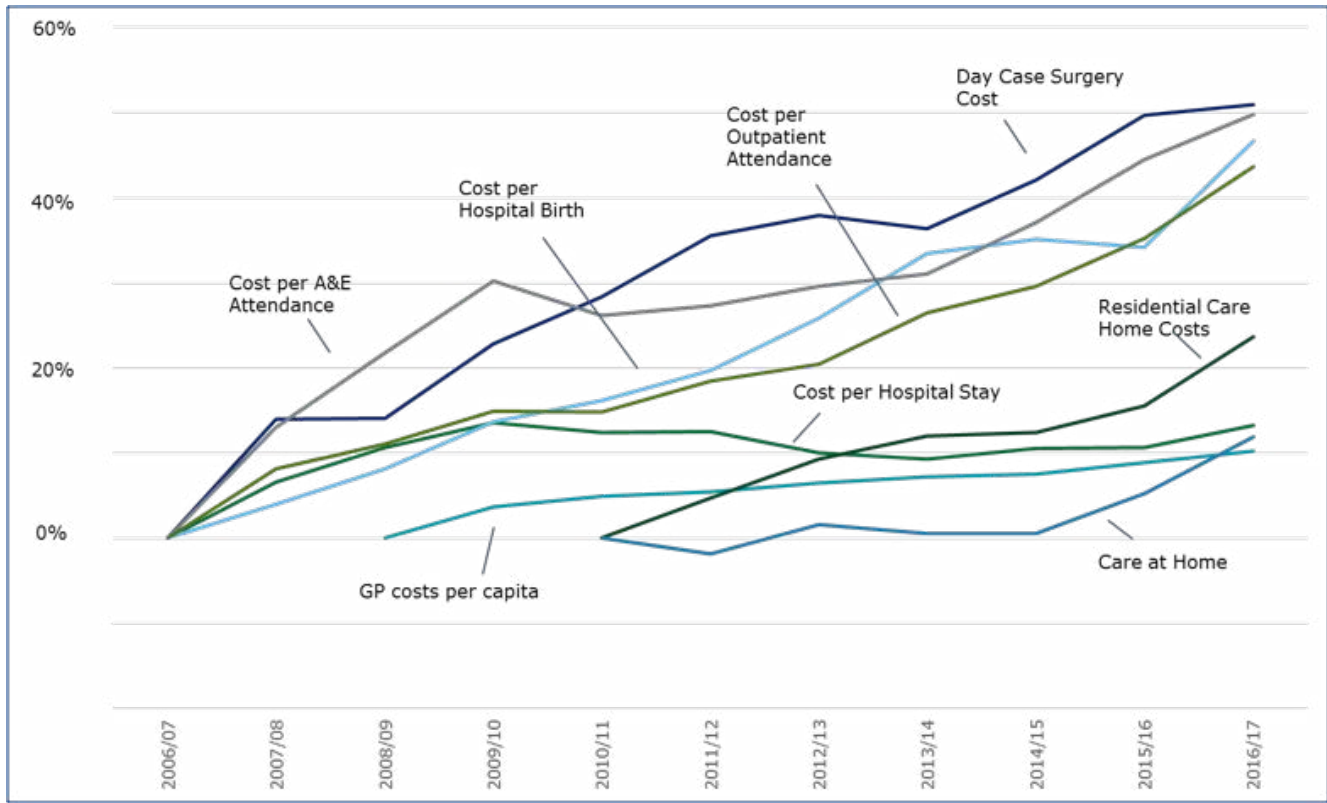
5,000 (-5%) fewer inpatient births in Scottish Hospitals from 102,000 to 97,000 episodes per year

There are now 1.8 million more outpatient attendances in Scotland compared to ten years ago whilst most other hospital activity metrics have also increased.

It is also important to consider whether health and social care services are more productive than they were ten years ago. Gains in productivity would mean that health and social care services are delivering more with the money they receive, and increasing productivity will be critical to ensuring the future sustainability of the system. Figure 5 provides an indication of how unit costs have changed over the past ten years based on a selection of available metrics for some of the largest areas of spend.

⁹ It should be noted that unmet need has not been quantified in any of the categories in the Figure 4 graph.

FIGURE 5 UNIT COST GROWTH (%)¹⁰



This illustrates that unit costs have increased by around 50% over the past ten years for certain hospital services. For example, the cost of an A&E attendance was £82 in 2006/07 and is now £123; likewise an outpatient attendance has increased from £81 to £116 over the same period. The increase in outpatient costs is partly due to the fact that more complex activity is now being done on an outpatient basis than was the case 10 years ago. The increase in A&E attendance costs is partly due to investment in emergency services to support delivery of the four hour target, with the Scottish Government providing specific investment over the last few years to improve capacity and resilience in this area. Inpatient hospital costs have not followed a similar pattern with costs per case only 13% higher over the period, as shorter lengths of stay have enabled hospitals to reduce the number of beds they have needed whilst still seeing more patients. Historically, there is less robust primary and social care data, however, work is underway to provide more of this data. Analysis illustrates that GP costs per capita and care at home unit costs have grown less significantly over the period.

Productivity is complex to assess, particularly within a health and social care context, as activity statistics on their own can often hide other benefits, such as the quality of care. The incline from 2016 in residential care and care at home partly reflects policies relating to the Living Wage.

¹⁰ Care at home costs is for people aged 65+.

Summary

Expenditure and activity are at record levels and growth trends across the developed world indicate that the level of funding will only need to increase. However, with greater pressures on the system, this will also require change in the way services are delivered. Many of these initiatives are described in the Health and Social Care Delivery Plan and are being driven forward through the integration of health and social care. Delivering improvements in productivity will also be key, ensuring that high quality services are delivered to the population of Scotland whilst managing within the available resources.

Future Demand for Health and Social Care

Drivers of Demand Growth

There are numerous studies which consider the factors driving expenditure on health and social care. Many of these studies have attempted to quantify future demand based on forward projections of need, including analysis carried out by the Health Foundation, the Fraser of Allander Institute, as well as the International Monetary Fund (IMF) and Organisation for Economic Co-operation and Development (OECD). Most of these studies conclude that the demand for health and social care will increase faster than the rate of growth of the wider economy and that over time, the share of GDP spent on these services will gradually increase. The factors for this growth can be broadly classified into three areas:

Price Effects: the general price inflation within health and social services;

Demographic Change: this includes the effect of population growth on the demand for health and social care services as well as the impact of a population living longer; and

Non Demographic Growth: this relates to demand-led growth, generated by increased public expectations and advances in new technology or service developments, for example, expenditure on new drugs.

In May 2018, the Institute for Fiscal Studies and the Health Foundation reported that UK spending on healthcare would require to increase in real terms by an average of 3.3% per year over the next 15 years in order to maintain NHS provision at current levels, and that social care funding would require to increase by 3.9% per year to meet the needs of a population living longer and an increasing number of younger adults living with disabilities.

Our analysis and assumptions are in line with these assessments and take into account the Scottish Government's twin approach of investment and reform, recognising the increasing demand and expectations placed upon our frontline services and being clear that the status quo is not an option.

Future demand forecasts therefore assume the following rates of growth and reform for health services in Scotland:

- price effects will move in line with UK Government GDP deflator projections and will reflect the impact of the NHS pay deal¹¹ (combined impact of 2.2-2.4% each year over the next five years);
- demographic factors will on average increase the demand for healthcare by 1% year on year;
- non-demographic growth will contribute 2-2.5% growth year on year within the healthcare sector; and
- benefits realised from savings and reform will amount to 1.3% each year and will be retained locally.

Based on these assumptions and their interaction with variable and fixed costs, future demand projections for health have been based on an annual growth rate of 3.5%

¹¹ In terms of the GDP deflator, it is recognised that short term price pressures will also be influenced by changes in pay policy, most notably the recent lifting of the public sector pay cap.

Taking into consideration the various estimates of social care growth, pressures in the social care sector are likely to be slightly higher than in healthcare for various reasons, including pay a strong focus on the very elderly, where demographic pressures are at their greatest. For the purposes of modelling, a rate of 4.0% has been used.

Summary

National and international studies point to the fact that health and social care demand will continue to grow in Scotland, as is the case throughout the developed world. While recognising the significant additional investment planned in health and social care, if the system does not adapt or change, then there will be a net increase of £1.8 billion over the period - driven by growth in the population, public demand and price pressures. In the following sections, the policies and measures in place to address this challenge are set out, including how they will influence the future shape of health and social care expenditure.

Future Shape of Health and Social Care Expenditure

Government Spending Policy Commitments

The Scottish Government has made a number of policy commitments to be delivered in this parliament in relation to health and social care expenditure, that will influence the future shape of the budget, as well as drive reform across the system. Over the medium to long term this will influence the setting in which care is delivered, as well as redirect resources to priority areas for expenditure. The financial implications of these commitments are important to understand and plan for over the next 5-7 years and beyond.

The focus of the financial framework is on the main health and social care expenditure commitments, as set out below:

- over the course of this parliament, baseline allocations to frontline Health Boards will be maintained in real terms, with additional funding over and above inflation being allocated to support the shift in the balance of care. This means that health expenditure will be protected from the impact of rising prices and will continue to grow in excess of GDP deflator projections;
- over the course of the next five years, hospital expenditure will account for less than 50% of frontline NHS expenditure. This relates to the policy commitment to '*shift the balance of care*', with a greater proportion of care provided in a setting close to a person's home rather than in a hospital;
- funding for primary care will increase to 11% of the frontline NHS budget by 2021/22.¹² This will amount to increased spending of £500 million, and about half of this growth will be invested directly into GP services. The remainder will be invested in primary care services provided in the community; and
- the share of the frontline NHS budget dedicated to mental health, and to primary, community, and social care will increase in every year of the parliament. For adults, and in some cases for children, these services, along with unscheduled hospital care, are now managed by Integration Authorities.

The analysis below considers how these commitments will influence the future shape of health expenditure through to 2021/22 and the associated implications for future funding growth.

Future Shape of the Frontline Health Budget

Modelling was undertaken to assess what existing baseline spending for frontline Boards may look like in 2021/22, taking into account the commitments outlined above. Figure 6 illustrates the results, comparing the current position with that projected in five years' time. It illustrates that at present 50.9% of frontline health expenditure is allocated to the hospital sector, with 34.0% spent on community services, 8.1% on mental health¹³ and 6.9% on GP services (funded directly by the General Medical Services contract).

In the future, it is estimated that the baseline budget for frontline Boards will be at least £1.5 billion higher at £13.1 billion. This reflects the impact of increased spending in line with inflation, supporting the shift in the balance of care, and providing additional support to improve waiting times. Within this overall position, the share of expenditure on hospital services will comprise less than half of frontline spending, with a corresponding increase in funding for community health services. In addition, there is

¹² [Letter to Health and Sport Committee - February 2017](#)

¹³ Mental health expenditure is incorporated in both the hospital and community service expenditure lines, but is presented separately in the charts on the next page for clarity of presentation.

expected to be further funding flowing from the commitment to pass on Barnett resource consequentials in full, and this will also be prioritised towards supporting the shift in the balance of care.

FIGURE 6. FUTURE SHAPE OF FRONTLINE HEALTH EXPENDITURE

Key Policy Commitments

- Funding maintained in real terms
- Shifting the Balance of Care (<50% expenditure on hospitals)
- Expenditure on primary care will increase by £500 million by 2021/22, with half of this in direct support of GPs
- Mental Health expenditure share protected and grows in real terms each year

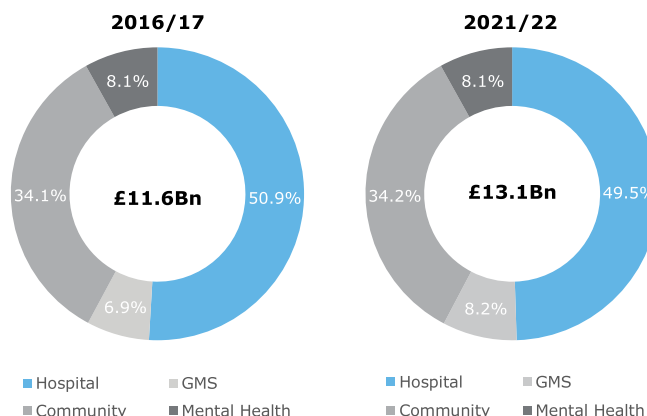
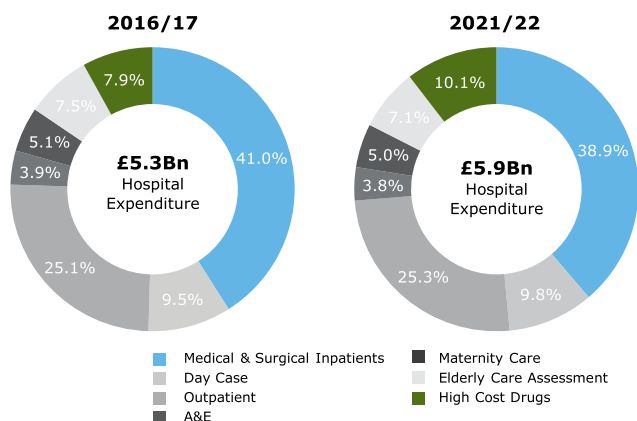


Figure 7 illustrates the main components of current hospital expenditure, with medical and surgical inpatient services accounting for the majority of expenditure (41%), followed by outpatient services (25%) and day case surgery (9.5%). In five years' time the hospital budget would be larger, standing at £5.9 billion, but the composition of spend will likely be different.

FIGURE 7. FUTURE SHAPE OF HOSPITAL EXPENDITURE



Summary

The analysis illustrates how we plan to reshape expenditure patterns across the health and social care sector, with a gradual rebalancing of expenditure towards care delivery outwith a hospital setting. There is evidence that health and social care is being reformed and that there will be significant investment to support this over the next five years. We know ultimately that the outcomes in many circumstances are better, with fewer interventions, when care is delivered in a community setting. Health and Social Care Integration focuses on delivering care in the right place, at the right time, ensuring both the quality and sustainability of care.

Early evidence from Integration Authorities suggests that achieving this shift to primary and community care can be delivered, given the opportunities to deliver care in different settings and in different ways, however it will require appropriate investment in reform and a change in the way services are delivered across Scotland.

Through the Ministerial Strategic Group for Health and Community Care, partnerships have shared projections for their performance on the Delivery Plan objectives over the period to the end of 2018/19 and these show improvements in a number of areas. For example, for unplanned bed days, there is already an overall 7% reduction projected against the 2016/17 baseline, which is consistent with the Delivery Plan objective for a 10% reduction by end 2020. This includes a 16% reduction in days lost to delay.

Reforming Health and Social Care

Introduction

The actions required to address the challenges facing the health and social care system in Scotland are set out in the Health and Social Care Delivery Plan. The Delivery Plan brings together earlier reform programmes – such as the National Clinical Strategy, and other reform initiatives – into a framework that is designed to provide focus and acceleration for reform. Its actions are designed to set us on the right course to address the financial pressures facing the health and social care sector by reforming the way care is delivered, as well as reshaping the future balance of expenditure across care settings.

This framework has been developed to support plans at a local, regional and national level in identifying the financial impact of various policy initiatives and how they will contribute to system sustainability. The analysis provides a high level indication of the scale and type of factors that will help reform the health and social care system. Further work will be carried out at a local and regional level to develop these into more detailed delivery plans.

Reform Activities

Five specific areas of activity have been modelled as contributing to the reform of health and social care delivery across Scotland and these are summarised below:

Shifting the Balance of Care

This is one of the key policy commitments of the Health and Social Care Delivery plan and underpins our longer-standing commitment to integrating health and social care. Many activities currently undertaken in hospital could be delivered in primary, community and social care settings so a patient is seen closer to home. There is also evidence which highlights the variance in care levels across Scotland, for example, with hospital admission rates and A&E attendance rates varying widely across geographical areas.

The Financial Framework assumes potential productive opportunities through reduced variation across A&E attendance rates, outpatient follow up rates and hospital inpatient lengths of stay. These estimates are based on the health and social care system improving performance to the national average and provide a high level view of the potential scale of savings that this can deliver. Local systems will then use these high level assumptions to reflect local circumstances building on evidence about variation.

While it will be challenging given existing pressures in the system, shifting care out of a hospital setting requires investment in primary, community and social care service provision, and it is assumed that approximately 50% of savings released from the hospital sector would be redirected accordingly under the direction of Integration Authorities through their strategic commissioning plans.

Regional Working

This activity relates to better collaboration to improve services, including greater regional approaches to the planning and delivery of services. This will help drive change in how clinical networks are formed and help to reduce duplication in services and functions. The National Clinical Strategy¹⁴ also envisages a range of reforms so that healthcare across the country can become more coherent, comprehensive and sustainable. It sets out, for example, a framework for how certain specialist acute services should be provided on a wider regional footprint.

Based on evidence from other healthcare systems it is assumed that productivity savings of just over 1% could be delivered through effective regional working.

Public Health and Prevention

Scotland, in common with many developed societies face challenges associated with lifestyle behaviours, and wider cultural factors that can prevent positive health choices being made. Addressing these requires a concerted, sustained and comprehensive approach and a number of health improvement actions have been set out in relation to smoking, exercise, diet and alcohol. These initiatives, alongside the promotion of self-care, and helping to stop people entering the health system through prevention and shared decision making (i.e. Realistic Medicine) are important themes within the Health and Social Care Delivery Plan. For example, in the East of Scotland, work is being undertaken to deliver a prevention programme to reduce the incidence or reversal of type-2 diabetes in the region dramatically. The region is taking forward a comprehensive approach to health-based interventions such as weight-loss support and advising on self-management of the condition, and more widely, the promotion of active travel and targeted interventions for children and young people. The work links into the Scottish Government's Diet and Healthy Weight Strategy.

It is not yet possible to fully quantify how these policies will ultimately impact upon the health and social care sector but it is important to capture the potential. As a result, a 1% reduction in demand is included in the financial framework from the implementation of these initiatives, starting towards the end of the five year period.

Once for Scotland

The Health and Social Care Delivery Plan also sets out how taking a 'Once for Scotland' approach can continue to deliver more effective and consistent delivery of services, building on the principles of the National Clinical Strategy. For the purposes of the financial framework a 0.25% reduction in cost is assumed, to reflect potential savings in this area. These savings estimates could increase further in the future through advances in technology.

Annual Savings Plans

These relate to the operational delivery of productivity and efficiency savings that all health and social care organisations manage on an annual basis. They typically consist of a number of improvement initiatives, from reducing the reliance on bank and agency staff, to making savings on medical or surgical consumable purchases, right through to changing how services are delivered.

The financial framework has included a target of 1% year on year against these plans, although there is potential for further savings to be delivered in this way. For example, a study by NHS England estimated that historical savings in the NHS were around 0.8% year on year, but that it was considered feasible for providers to deliver efficiency savings as high as 1.5-3% year on year.¹⁵

15 Five Year Forward View. Health Select Committee Briefing on technical modelling and scenarios. May 2016.

Bridging the Financial Challenge

The Financial Framework provides an indication of the potential approach and type of initiatives that would create a financially balanced and sustainable health and social care system. This presents a macro level view across Scotland and within this framework, local systems will put in place local level delivery plans and developments. These plans and developments will vary in each part of the country, depending on the requirements and arrangements put in place.

Figure 8 illustrates how all of the assumptions on these reform initiatives and ongoing efficiency savings would combine to address the financial challenge over the coming years. Taking account of assumed Barnett resource consequentials through to 2023/24, total funding will be £4.1 billion higher than in 2016/17 and this is presented in figure 8. This is split between an inflationary growth in funding, and additional investment for reform. Based on this modeling there would remain a residual balance of £159 million across the health and social care system in 2023/24.¹⁶ We would anticipate further updates to the assumptions on the reform activities mentioned above in order to address the residual balance over the period.

FIGURE 8. SYSTEM REFORM BRIDGING ANALYSIS

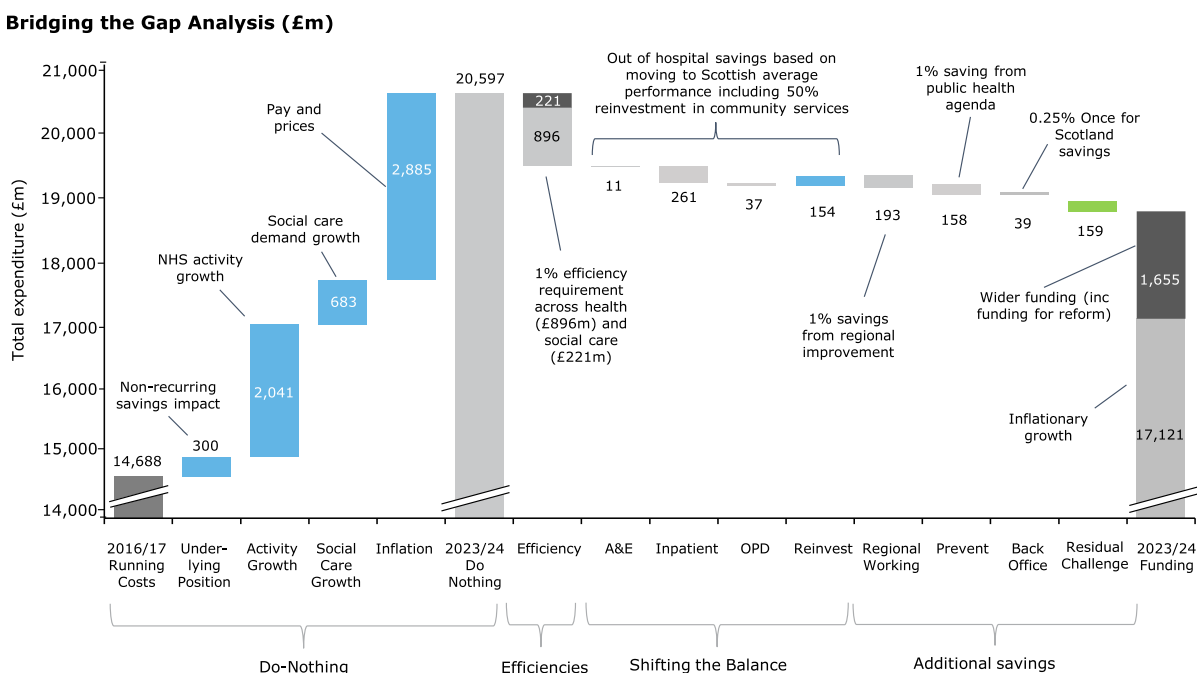


Figure 8 illustrates that from a starting point in 2016/17, with running costs of £14.7 billion, the health and social care system would require expenditure of £20.6 billion in 2023/24 if the system did nothing to change. Reform programmes have however already begun, particularly the integration of health and social care, which will help to address this ‘do nothing’ challenge. More progress is nonetheless needed to drive forward reform and address the residual savings balance. This will require further work across the health and care system to identify new ways to provide services to the population of Scotland.

Future iterations of the Financial Framework will include assessments of local and regional delivery plans in achieving these ambitions.

Summary

The Health and Social Care Delivery Plan brings together a number of policy initiatives that have been designed to reform how care is delivered to the people of Scotland. These will not only support the delivery of high quality care, but will help the system to manage the predicted growth in demand for health and social care over the next five years. There are challenges associated with this, for example, savings assumed through preventative plans may not deliver as anticipated, while the challenges are different across localities due to varying pressures.

In addition, although initial plans are in place, delivering on this agenda will require further change beyond the scope of this framework. Building on progress already underway through integration, there will need to be proportionately less care delivered in hospitals and there is an expectation that new digital technology will change care delivery models.

The System Bridging Reform Analysis does however provide a clear framework from which, regions, NHS Boards and Integration Authorities can build plans. It draws out the significant additional investment through to 2023/24, but highlights that this investment must be used to support the reform that is required across the health and social care system to ensure ongoing sustainability.



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